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From Principles to Realities

TI Pakistan Analysis

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How Corruption in Procurement has affected peoples life in Pakistan

- **Caused low quality, highly inflated cost,**
- **Non implementation of needed projects due to lack of funds.**
- **Low priority or unwanted projects have been completed at the cost of high priority ones.**
- **Stakeholders believed that donor agencies also need to shoulder a significant part of the responsibility for corruption in development projects as they turned a blind eye to corruption on development projects**
- **There are low levels of transparency and public participation in the development process. There is no form of planning enquiry for example. Attempts at integrating public participation into the development process have been met with the cynical and criminal acts of vested interests. The Ghazi Barotha Hydropower Project provides an example of this.**

Due to Non Transparent Procurement "*honest people don't want to bid*" for government contracts

Reputable and efficient contractors are dissuaded by problems such as

- ❑ Project funding arrangements limited to yearly plans;**
- ❑ Poor payment record of government;**
- ❑ Lengthy periods of red tape;**
- ❑ No clear cut milestones and payment timetables;**
- ❑ Contractors have to pay bribes to get their bills paid;**
- ❑ Bidding documents deny contractors compensation for non-performance by the client, for unforeseen events and for price escalation due to delays.**

Manipulation in the Procurement Process

Corruption at the Tender Stage

- i) Collusion between bidders, and also with client/consultant/contractor**
- ii) Splitting of Contract to evade competitive process**
- iii) 50% of development funds are used in last 2 months of fiscal year**
- iv) Creation of emergency situation to bypass competitive procurement process**

Corruption during Contract Implementation

- i) Use of sub-standard material, and below specification workmanship and Making of bogus Claims**
- ii) Increase in quantum of Work even upto 200%**

Application of Integrity Pact in PAKISTAN

Greater Karachi Water Supply Scheme, Phase V, Stage II, 2nd 100 MGD, KIII Project

On April 13, 2001, MOU was signed for application of Integrity Pact (IP) between Karachi Water & Sewerage Board TI-Pakistan in the Greater Karachi Water Supply Scheme (the K-III Project), with an estimated cost of US \$ 100 M.

The KW&SB implemented a multi-phased approach in close consultation with TI-Pakistan

An IP, developed by TI-Pakistan, was signed between the KW&SB and all the participating consultants and contractors in the K-III Project.

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In July 2002, KW&SB awarded the consultancy contract of US \$ 1 Million. This compared with the estimated approved cost of US \$ 4 Million, provided a net savings of about US \$ 3 Million or 75%.

Tendering for the K-III construction contracts was concluded in September 2003 and all major construction contracts were awarded at a total cost of PRs 5,521 Million compared with the estimated cost of 6,548 Million. The awarded contracts varied between 31.5% and 8% below the estimated costs. Total expenditure on the Project is Rs. Rs. 5,945.00 Million . Total savings in the Project is 9.21% of the approved estimated cost. The project was completed within the Scheduled Time and inaugurated by President Pervez Musharraf on May 21, 2006 ahead of schedule and below the approved estimated cost.

BULK WATER SUPPLY SYSTEM OF KARACHI



How Transparent Procurement Procedures Generates healthy Market Competition

- ❑ *Specifications are made open*
- ❑ *Detailed Evaluation Criteria is provided in the Bid Documents & Evaluation is based on the declared criteria only*
- ❑ *Internationally acceptable Conditions of*
- ❑ *Standard Contract are used which eliminates discretionary powers, allows rights of bidders to make claims, proper dispute resolution method is provided, no negotiations on the lowest evaluated bid , right to bidders to have evaluation report prior to award , and point out any irregularity etc*

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How Transparent Procurement Procedures Generates healthy Market Competition

- ❑ **The measures for transparency and fair competition prescribed in Public Procurement Rules 2004, builds confidence of experienced bidders and assures them fair evaluation, and attracts experienced, competent and qualified bidders to participate in the tendering for the projects.**
- ❑ **Direct involvement of Civil Society is in built in the New Procurement Procedures**
- ❑ **TIP has been assisting procurement agencies since 2004 in across the board implementation do these Rules**

TI Pakistan assistance to Ministry of Irrigation

TI Pakistan has also signed MOU with Minister of Irrigation & Power Govt. of Sindh. We are guiding the Ministry on how to prepare Transparent Tender Documents for Irrigation projects.

The World Bank has requested TI Pakistan to be associated with its forthcoming development Loan of over US \$ 160 million for the Sindh Irrigation Ministry. TI Pakistan's responsibility will be vetting of all the Procurement Documents prepared by the Sindh Irrigation Ministry, and to examine and confirm whether the evaluation reports of various procurement contracts under the loan are complying the requirements of the Evaluation Criteria contained in the respective Bidding Documents.

TI Pakistan Suggestions

A successful campaign against corruption at the local level can be the introduction of participatory mechanism for fighting corruption. The Integrity Pact is the best mechanism for good governance at the local level.

The best way is to motivate the local authority for adopting the Integrity Pact for their own good. It can give them political mileage specially during election. Once a municipality or a village council agrees to enter into such Integrity Pact, other similar bodies especially in its neighborhood feel publicly pressurized to follow its suit.